INDIA[1]

MINIMUM WAGE

The minimum wage is based on the Minimum Wages Act of 1948.[2] Setting the minimum wages in India is the responsibility of the respective state governments. There is no uniform national minimum wage in the country. Minimum wages vary by skill level, industry, and state.[3] There is no prescribed minimum wage for either the apparel or the footwear industry in any of the states where these products are manufactured.

The Minimum Wages Act is primarily applicable to workers in the unorganized (non-unionized) sector and empowers both the federal and state governments to fix and revise the minimum wage rates for the occupations which are covered by the Act and are under their respective jurisdictions.[4] The occupations listed under the federal sphere total 40, and include agriculture, mining, and road construction. The occupations listed under the state sphere vary from state to state, and range in number from 5 in Manipur to 72 in Bihar. In the organized sector, wages are normally set by collective bargaining; however, in some industries (e.g., newspaper, cement, and sugar), wage boards have been established.

Ranges of minimum wages for certain states as of November 1, 1996 are given below in Indian rupees (Rs) and U.S. dollars (US$):[5]

---

[1] Unless noted otherwise, information presented here is from American Embassy—New Delhi, unclassified telegram No. 2350 (March 24, 1999).

[2] See Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 67.

[3] For a listing of industries covered under the Minimum Wages Act for which the central government may set minimumwages, the detailed schedule of minimum wage rates it has set, and the detailed schedule of minimum wage rates by occupation/skill/industry set by each state under the Act, see R.K.A. Subrahmanya and Parduman Singh, *Minimum Wages in India: Scheduled Employments and Rates of Minimum Wages* (New Delhi: Social Security Association of India and Friedrich Ebert Stiftung, 1995). For excerpts from basic documents, reports, special commission recommendations, and court judgments related to minimum wages in India, see R.K.A. Subrahmanya and Parduman Singh, *Minimum Wages in India: Basic Documents* (New Delhi: Social Security Association of India and Friedrich Ebert Stiftung, 1995).

[4] American Embassy—New Delhi, unclassified telegram No. 1344 (February 19, 1998).

[5] American Embassy—New Delhi, unclassified telegram No. 1344 (February 19, 1998). Minimum wage rates as of November 1, 1996 were the latest available figures; conversion to U.S. dollars was made using the February 1998 exchange rate of Rs38.50 to US$1.

State	Rs per day	US$ per day
Andhra Pradesh	35.00 - 63.00	0.91 - 1.64
Bihar	27.30 - 39.70	0.71 - 1.03
Gujarat	34.00 - 57.90	0.88 - 1.50
Haryana	51.57 - 55.57	1.34 - 1.44
Karnataka	26.00 - 37.32	0.68 - 0.97
Maharashtra	9.25 - 80.35	0.24 - 2.09
Punjab	55.73 - 58.28	1.45 - 1.51
Delhi	64.50 - 68.00	1.68 - 1.77

The Factories Act defines a factory as a unit which employs 10 or more workers and utilizes power for its operations or has a minimum of 20 workers but does not use power for its operations. The Act establishes an 8-hour workday, a 48-hour workweek, and various standards for working conditions.[6]

PREVAILING OR AVERAGE WAGE

The broad range of prevailing wages in the apparel and footwear industries by skill level is:

Apparel

Unskilled	Rs 35 to 70 per day	(US$ 0.83 to 1.65 per day)
Skilled	Rs 80 to 150 per day	(US$ 1.89 to 3.55 per day)

Footwear

Unskilled	Rs 30 to 50 per day	(US$ 0.71 to 1.18 per day)
Skilled	Rs 60 to 110 per day	(US$ 1.42 to 2.60 per day)

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in India for production workers in the manufacturing sector and in the combined apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[7] Average hours worked per week by all employees were 46.5 in all manufacturing and 46.6 in the combined apparel and footwear industries for the years 1990 through 1995.[8] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March

[6] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

[7] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[8] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 745.

1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing and Apparel and Footwear

Year	All Manufacturing (Rs)	All Manufacturing (US$)	Apparel & Footwear (Rs)	Apparel & Footwear (US$)	Real Earnings Index (Rs; 1990=100) Manuf.	Real Earnings Index (Rs; 1990=100) Apparel & Footwear
1990	988.4	56	889.3	51	100	100
1991	1,019.3	45	1,001.3	44	91	99
1992	932.6	36	975.0	38	74	86
1993	977.4	32	773.0	25	73	64
1994	960.4	31	1,027.8	33	65	77
1995	1,211.0	37	1,196.4	37	74	82
1996	na	na	na	na	na	na
1997	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 904.

NON-WAGE BENEFITS

Mandated non-wage benefits for Indian workers are provident fund (social security), health insurance, yearly bonus, and severance pay. However, all these benefits are applicable only in establishments that fall under the Factories Act. A large number of small footwear and apparel manufacturing units do not come under the provisions of the Factories Act. Many of these units manufacture for domestic consumption and not for the export markets.

A U.S. Social Security Administration survey[9] elaborates on four different non-wage benefit programs in India, which apply only to workers in firms covered by the Factories Act: (1) old age, disability, and death benefit programs are comprised of the provident (begun in 1952), pension (begun in 1995), gratuity (begun in 1972), and insurance (begun in 1976) funds. The provident fund provides a lump-sum (total employee and employer contributions plus interest) old age benefit, into which the insured person pays 10 percent of their earnings and the employer pays 10 percent of their payroll plus 0.65 percent of payroll for administration. The pension fund provides an old-age monthly pension, into which the employer pays 8.33 percent of their contributions to the provident fund and the government pays 1.16 percent of the payroll. The gratuity fund pays a lump-sum (15 days' wages for each year of continuous service) and is financed entirely by the employer who pays about 4 percent of the payroll. The insurance fund pays a lump-sum (up to Rs35,000) and is also financed entirely by the employer who pays 0.5 percent of the payroll plus 0.01 percent toward administration. (2) sickness and maternity benefits, begun in 1948, in which the

[9] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 170-172.

insured person pays 1.75 percent of their earnings (none for employees whose average daily wage is below Rs25), employers pay 4.75 percent of the payroll of covered employees, and the state governments pay 12.5 percent of the cost of medical benefits; (3) work injury benefits, begun in 1923, which are now part of the social insurance system and have the same source of funds maternity and sickness benefits; and (4) unemployment insurance, which is a part of the labor code and requires employers to pay severance indemnity of 15 days' average pay for each year of employment; eleven states have instituted temporary unemployment programs funded by the government.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line in India is defined as the expenditure required for a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas. The government estimates this expenditure at Rs228.9 (US$5.41) per capita per month in rural areas and Rs264.1 (US$6.24) in urban areas at 1993-94 prices. The poverty line is estimated periodically by conducting sample surveys. These surveys are carried out by the government's central statistical organization.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports numerous sets of measures of a national poverty line for India:

- For 1979, 51 percent of the rural Indian population was below the rural poverty line (annual per capita income of US$114), 40 percent of the urban Indian population was below the urban poverty line (annual per capita income of US$132), with a national poverty rate of 48 percent.[11]

- For 1979/80, 53.3 percent of the rural Indian population was below the rural poverty line (monthly per capita expenditure of Rs49.09 in 1973/74 rural prices) and 43.0 percent of the urban Indian population was below the urban poverty line (monthly per capita expenditure of Rs56.64 in 1973/74 urban prices), with a national poverty rate of 51.1 percent;

  for 1987/88, 32.7 percent of the rural population was below the same rural poverty line, 19.4

---

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 28-34.

[11] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1987* (Washington: World Bank, 1987). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

percent of the urban population was below the same urban poverty line, with a national poverty rate of 29.2 percent.[12]

! For 1987/88, 44.9 percent of the rural Indian population was below the rural poverty line (monthly per capita expenditures of Rs49.09 in 1973/74 rural prices), 36.5 percent of the urban Indian population was below the urban poverty line (monthly per capita expenditures of Rs56.64 in 1973/74 urban prices);

for 1992, 48.1 percent of the rural Indian population was below the same rural poverty line, 33.9 percent of the urban Indian population was below the same urban poverty line.[13]

! For 1985, 61.4 percent of the rural and 36.5 percent of the urban Indian population were below the poverty line of US$31 per capita per month in 1985 purchasing power parity adjusted US$ (or Rs127), with a national poverty rate of 55.0 percent;

for the same year, 37.9 percent of the rural and 17.5 percent of the urban Indian population were below the extreme poverty line of US$23 per capita per month in 1985 purchasing power parity adjusted US$ (or Rs94), with a national poverty rate of 32.7 percent.[14]

---

[12] The estimates are referenced as originating from the Government of India, Planning Commission, *Sixth Five-Year Plan, 1980-85: Mid-term Appraisal* (New Delhi, 1983) and *Seventh Five-Year Plan, 1985-90* (New Delhi, no date). The poverty lines are the official poverty lines for India used by the Planning Commission and are based on nutritional norms (a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas) which were recommended by a special Task Force set up in 1977. Based on household consumption expenditure data, the Commission used linear interpolation methods to arrive at point estimates of per capita monthly expenditure that were consistent with the minimum calorie intakes (Rs49.09 and Rs56.64 per capita per month at 1973/74 prices for rural and urban sectors, respectively). An implicit deflator of private final consumer expenditure is used to estimate current-price poverty lines for different years. The poverty lines are applied to adjusted consumption expenditure distributions to yield estimates of poverty in rural and urban areas. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 147-148.

[13] The estimates are referenced as originating fromSuresh D. Tendulkar and L.R. Jain, "Economic Reforms and Poverty," *Economic and Political Weekly*, Vol. 30, No. 23 (June 10, 1995), pp. 1373-1377. The urban and rural poverty lines are the same as the official poverty lines used by the Indian Planning Commission. The authors feel that the price deflator used by the Planning Commission is inappropriate and instead estimate regional (by state) rural and urban cost of living indexes. Also, expenditures on consumer durables are excluded from the consumption data since there were doubts about their reliability. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 149.

[14] The estimates are referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), p. 39. They are based on household consumption expenditure data from the Indian National Sample Survey (NSS) and internal World Bank data. An absolute poverty line, defined as the expenditure level below which basic needs cannot be satisfied, is used with two cut-off points corresponding to Rs94 per capita per month (extreme poverty) and Rs127 per capita per month (poverty) in 1985 prices. The first is the Indian poverty line for rural areas (derived by updating estimates in B.S. Minhas, L.R. Jain, S.M. Kansal, and M.R. Saluja, "On the Choice of Appropriate Consumer Price Indices

! For 1983, 73.5 percent of the Indian population was below the poverty line of US$30.42 per capita per month (i.e., US$1 per day) in 1985 purchasing power parity adjusted US$;

for 1989/90, 70.9 percent of the national population was below this poverty line.[15]

The World Bank reports[16] that, in 1994, 35.0 percent of the Indian population was below the country-specific poverty line, with 36.7 percent of the rural and 30.5 percent of the urban population living below the poverty line; corresponding figures for 1992 were 40.9, 43.5, and 33.7 percent, respectively. The same source also reports that, in 1994, 87.5 percent of the Indian population was below the international poverty line of US$2 per person per day and 52.5 percent of the population was below the poverty standard of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

A recent World Bank country poverty assessment report[17] states that poverty in India remains widespread—35 percent of the population (37 percent rural and 31 urban) lived below the national poverty line in 1994 (the latest year for which household survey data are available). India has the largest concentration of poor people in the world, over 300 million (240 million rural poor and 72 million urban poor) particularly, in rural areas where almost three out of four Indians and 77 percent of the Indian poor live.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in India meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that minimum wages provide only a minimal standard of living for a worker, and are inadequate to provide a decent standard of living for a worker and family. However, most workers employed in units subject to the Factories Act receive much more than the

and Data Sets for Estimating the Incidence of Poverty in India," *Indian Economic Review*, Vol. 22, No. 1 (January-June 1987), pp. 19-50), and the second, which is 35 per cent higher, was thought at the time to be more representative and more common among many developing countries. These two poverty lines correspond to US$23 and US$31 in 1985 purchasing power parity adjusted US$. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 148.

[15] The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[16] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

[17] World Bank, *Reducing Poverty in India* (Washington: World Bank, 1997), p. 8.

minimum wage, including benefits and bonuses.[18] The U.S. Embassy was not able to find any studies on the issue of the living wage in India. Separately, the U.S. Department of State reports, "The directive principles of the [Indian] Constitution declare that 'the State shall endeavor to secure . . . to all workers . . . a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities.'"[19]

A study conducted in 1989 by Shanta A. Vaidya at the Maniben Kara Institute in Bombay presents basic information on the evolution and development of the minimum wage in India, including relevant legislation and official recommendations related to minimum wage fixing and information on the enforcement of minimum wage regulations. The study also includes some comparisons of the minimum wage payable in various industries in different Indian states with the poverty line established by India's Planning Commission. Specifically, the minimum wage for an industrial activity in a particular state on January 1, 1986 was compared to the Commission's poverty line (Rs608 per person per month in urban areas and Rs533 per person per month in rural areas, in 1984-85 prices). Sample results presented in the study show that for the industrial activities considered (printing presses, public transportation, hotels–residential/restaurants, shops and commercial establishments, and engineering) that there were only two states where industry monthly minimum wages were above or near the poverty line: Maharashtra (Rs671–printing presses, Rs606–engineering, and Rs573–public transport) and Kerala (Rs624–engineering).[20]

---

[18] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

[19] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

[20] Shanta A. Vaidya, *Minimum Wages in India: Concepts and Practices* (Bombay: Maniben Kara Institute/ Nagindas Chambers, 1989), Appendix IV.